

NOWALSKY, BRONSTON & GOTHARD

A Professional Limited Liability Company

Attorneys at Law

Leon L. Nowalsky
Benjamin W. Bronston
Edward P. Gothard

3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
Telephone: (504) 832-1984
Facsimile: (504) 831-0892

Monica Borne Haab
EllenAnn G. Sands
Bruce C. Betzer
Philip R. Adams, Jr.

RECEIVED

November 29, 2004

DEC 10 2004

BY OVERNIGHT DELIVERY

Federal Communications Commission
Office of the Secretary

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

ATTN: James Ball, Policy Division, International Bureau

RE: Amendment to Application on behalf of Telrite Corporation for transfer of
control/assignment of the Domestic and International 214
WC Docket 04-396
File No. ITC-ASG-20040928-00382

Dear Mr. Ball:

Pursuant to Commission staff's request, the Applicants submit the following information
as a supplement to their previously filed applications:

- 1) A copy of the final court order approving the Asset Purchase Agreement;
- 2) A copy of the management agreement between the parties;
- 3) A statement as to the date the parties anticipate closing the sale of assets other than those requiring regulatory approval: The parties anticipate closing the transaction as of December 31, 2004. The parties may transfer assets in those states that do not require approval. The parties will delay closing in those jurisdictions in which approval has not been obtained by December 31, 2004. The Bankruptcy Court provided a mechanism to extend the closing by thirty (30) days as necessary.
- 4) OneStar filed for Chapter 11 protection on February 3, 2004, thereby effectuating a pro forma assignment/transfer of control of its international and domestic 214 authority from OneStar Long Distance, Inc. to OneStar Long Distance, Inc., Debtor-in-Possession.

No. of Copies rec'd
List ABCDE

2

Pursuant to Section 63.04(a)(1) through (a)(4), OneStar Long Distance, Inc., Debtor-in-Possession ("OneStar DIP")'s information is as follows:

7100 Eagle Crest Boulevard
Evansville, Indiana 47715
(812) 437-7963 (fax)
Indiana Corporation
Contact: Martin J. Huebschman, CFO and General Counsel

Onestar is owned 100% by Onestar Holdings, Inc.
7100 Eagle Crest Blvd.
Evansville, Indiana 47715

Alan J. Powers owns 23.37%
7100 Eagle Crest Blvd.
Evansville, Indiana 47715
Citizenship: USA

Michael W. Hanus owns 14.98%
7100 Eagle Crest Blvd.
Evansville, Indiana 47715
Citizenship: USA

Should you have any questions or require additional information, please do not hesitate to contact me.

I would appreciate if you would return a copy of this letter, date-stamped, in the envelope provided.

Sincerely,



EllenAnn G. Sands

Enclosures

STATE OF LOUISIANA

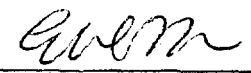
COUNTY OF ORLEANS

VERIFICATION

I, Darryl Davis, am the President of Telrite Corporation, and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: 
Name: Darryl Davis
Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 29th day of November, 2004.


Notary Public

My commission expires: at death

ELLEN ANN G. SANDS
Notary Public, State of Louisiana
My Commission is issued for life.
Notary Number: 45206

STATE OF LOUISIANA


COUNTY OF ORLEANS

VERIFICATION

I, Darryl Davis, am the President of Telrite Corporation, and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: 
Name: Darryl Davis
Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 29th day of November, 2004.


Notary Public

My commission expires: at death

ELLEN ANN G. SANDS
Notary Public, State of Louisiana
My Commission is issued for life.
Notary Number: 45206

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (this "Agreement") is made and entered into as of this _____ day of July, 2004, between ONESTAR LONG DISTANCE, INC., an Indiana corporation ("OneStar"), IceNet, LLC, a Delaware limited liability company ("IceNet"), and Telrite Corporation, a Georgia corporation ("Manager").

BACKGROUND

WHEREAS, OneStar, IceNet and Manager have entered into an Asset Purchase Agreement dated as of July 12, 2004 (the "Asset Purchase Agreement"), whereby IceNet has agreed to purchase the Acquired Assets and the related Business from OneStar; and

WHEREAS, OneStar has been granted numerous federal, state and other licenses, permits, consents, waivers, registrations and authorizations ("Communications Licenses") that authorize operation of the regulated aspects of the Business; and

WHEREAS, applicable federal and/or state regulatory requirements require prior notice and/or governmental authorization and certification ("Regulatory Approvals") for a transfer of the customers of OneStar to Manager (the "Regulated Assets"); and

WHEREAS, IceNet has designated Manager as its designee under the Asset Purchase Agreement, for acquisition of the Regulated Assets; and

WHEREAS, Manager and OneStar desire to establish a Regulatory Compliance Period (as such term is defined herein) during which the parties shall seek to comply with applicable federal and state regulations and enter into contractual or other legal arrangements necessary for the consummation of the transactions contemplated by the Asset Purchase Agreement; and

WHEREAS, OneStar desires, in conformity with the rules and policies of state and federal regulatory authorities, and the terms and conditions of this Agreement, to enable and permit Manager to manage and operate the Regulated Assets, including the provision of telecommunications services to existing customers of OneStar during the Regulatory Compliance Period; and

WHEREAS, the parties desire to enter into this Agreement to ensure the continued operation of OneStar's business, and the associated billing, collection and administrative functions thereof, as required to provide telecommunications services to existing customers of OneStar during the Regulatory Compliance Period.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals, the mutual promises in this Agreement and other good and adequate consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. Definitions. Any capitalized term used herein and not otherwise defined shall have the meaning assigned to it in the Asset Purchase Agreement.

2. Appointment. OneStar hereby grants to Manager, on the terms and conditions set forth herein and during the Regulatory Compliance Period, the right to manage the Regulated Assets and related Business, including, without limitation, the right to have access to and use of the Regulated Assets, as required to provide telecommunications services to the customers of OneStar to be transferred to Manager pursuant to the Asset Purchase Agreement.

3. Term. This Agreement shall become effective upon Closing and shall expire on the earlier of (a) the date that is 180 days after the Closing Date; and (b) the receipt of all Regulatory Approvals (such period, the "Regulatory Compliance Period"); provided, however, that if the Manager is proceeding in good faith to obtain the Regulatory Approvals but, through no fault of the parties hereto, such Regulatory Approvals have not been obtained by the expiration of said 180-day period, then the term of this Management Agreement will automatically be extended until the earlier of 90 days thereafter and the date of receipt of all Regulatory Approvals.

4. Ongoing Operations.

(a) During the term hereof, Manager agrees to pay when due and before becoming past due, all actual costs and expenses accruing from and after the Closing in connection with the ongoing operations of the Regulated Assets and the related Business during the term of this Agreement, including, without limitation and without duplication of payment, *i.e.*, without paying anyone twice for the same services, to (i) amounts owing in connection with the Real Property Leases, Personal Property Leases, Contracts and all other executory contracts and leases (other than those identified as Excluded Assets as of the Closing Date), (ii) for customer billing functions and maintaining the Regulated Assets and related Business; (iii) such other costs as set forth in the Asset Purchase Agreement; and (iv) all such regulatory fees and taxes, including without limitation, state and federal universal service fund, telecommunications relay service, state and federal regulatory fees, and state and federal excise taxes. In addition, to the extent that Manager makes use of any real property leased by OneStar, Manager agrees to pay when due the rental obligations owing under such real property leases, or to reimburse OneStar for any rental payments made by OneStar, as the case may be, with respect to the period of such use by Manager.

(b) Manager shall not, unless otherwise consented to by OneStar and the Committee in writing, such consent not to be unreasonably withheld or delayed (or in lieu of the Committee's consent, Bankruptcy Court Order), cause OneStar to incur any liability hereunder.

(c) Manager shall establish a bank account (the "Bank Account") on the date hereof, and OneStar shall deposit therein during the term hereof all cash and accounts receivable received by OneStar during the term hereof from the operations of the Regulated Assets and related Business. Manager may withdraw funds from the Bank Account in its discretion for the continued operations of the Regulated Assets and related Business as described above.

(d) Manager shall provide OneStar with management reports from time to time as may be reasonably requested by OneStar with respect to the performance of Manager's obligations under this Agreement. During the term of this Agreement, Manager shall maintain in

full force and effect insurance of such types and in such amounts as are customary for businesses providing services of the type provided by Manager under this Agreement.

(e) Upon the expiration of this Agreement, the funds received from the operation of the Business hereunder net of Manager's obligations to pay post-Closing expenses of the operation of the Business are property of the Manager.

5. Management of the Regulated Assets

(a) During the term hereof, and subject to OneStar's oversight, review and ultimate control, Manager shall have the right to manage the facilities and operations authorized under OneStar's Communications Licenses as is reasonably necessary in the operation of the Regulated Assets and related Business consistent with this Agreement. Manager shall report to the Chief Executive Officer of OneStar and the Bankruptcy Court-appointed examiner for OneStar (the "Examiner") regarding the status of the operations of the Regulated Assets and related Business.

(b) During the term hereof, Manager shall be responsible for providing a reasonable level of care to the customers of OneStar, and shall provide services in compliance with OneStar's existing tariffs and service contracts, and all applicable laws, including, without limitation, tariffs in effect from time to time. To maintain the integrity of the Regulated Assets and related Business and its reputation in the marketplace, Manager shall manage the Regulated Assets in a professional manner and in accordance with all applicable professional or industry standards. Manager shall use its reasonable efforts to cause an orderly and uninterrupted migration of customers from OneStar to Manager during the term hereof; provided, however, that Manager and OneStar shall have complied, within the prescribed time periods, with all applicable state and federal laws, rules and regulations governing such transitions, including, without limitation, OneStar's compliance with the discontinuance of service advance notice requirements pursuant to Section 214 of the Communications Act of 1934, as amended (the "Federal Act"), and applicable state regulatory requirements, and Manager's compliance with the "slamming" and other customer notice and transfer notices and approval requirements pursuant to FCC and applicable state regulatory requirements.

(c) Consistent with the terms of the Asset Purchase Agreement and in compliance with all applicable federal and state laws regarding the necessary form, content and applicable notice periods for discontinuance of service and transfer of the customer base, OneStar and Manager shall each prepare and distribute notices to OneStar's customers (i) advising them of the discontinuance of service (the "Discontinuance Notices"), and (ii) advising them of the planned transfer to Manager and including such information as may be required under applicable law (the "Advance Subscriber Notices"). In addition, OneStar shall prepare and file within the prescribed time period the Discontinuation Notices with the FCC and such other applications or other documents with governmental authorities as may be required in connection with the discontinuance of service to such customers (the "Discontinuance Filings"). Further, Manager shall prepare and file within the prescribed time period the Advance Subscriber Notices with the FCC, and such other applications or other documents with governmental authorities as may be required in connection with the planned transfer to such customers (the "Advance Subscriber Filings"). Any costs of such Discontinuance Filings and Advance Subscriber Filings that the Asset Purchase Agreement does not expressly state shall be paid by OneStar, and of continuing

to provide services to such customers during any applicable required regulatory notice periods, shall be considered to be expenses of the ongoing operations of the Regulated Assets and related Business pursuant to this Agreement.

(d) OneStar and Manager desire and agree that this Agreement and the obligations performed hereunder shall be in full compliance with (i) the terms and conditions of OneStar's Communications Licenses; (ii) all applicable rules, regulations and policies of the FCC; (iii) the Federal Act, and (iv) any other applicable federal, state or local law, rule, regulation or policy. If the FCC or any state body of competent jurisdiction determines that any provision of this Agreement violates any applicable laws, rules, regulations or policies, the parties shall make reasonable efforts promptly to bring this Agreement into compliance, consistent with the terms of this Agreement. It is expressly understood by OneStar and Manager that nothing in this Agreement is intended to give Manager any right which would be deemed to constitute a transfer of control (as "control" is defined in the Federal Act and/or any applicable FCC or state regulations, rules or case law) by OneStar of its operations or of one or more of the Communications Licenses or any regulated assets, including without limitation the customer contracts described in Section 1(a)(ii) of the Asset Purchase Agreement, and the 800 numbers and CIC codes in Section 1(a)(vii) of the Asset Purchase Agreement, from OneStar to Manager.

(e) Manager acknowledges and agrees that OneStar has certain rights and obligations pursuant to its Communications Licenses with respect to the use of the various operations authorized thereunder, which include compliance with the Federal Act and the rules and regulations of the FCC and state regulatory commissions. As a result, Manager's management of the Regulated Assets and the related Business is not intended to diminish or restrict OneStar's compliance with its obligations before the FCC and state regulatory commissions, and this Agreement shall not be construed to interfere with OneStar's ability to comply with the rules, regulations or directives of any governmental or jurisdictional authority with respect to its Communications Licenses or the operations authorized thereby.

(f) At its discretion and at its expense, OneStar or the Examiner may conduct periodic audits of Manager's books, records and facilities during normal business hours, upon reasonable notice, and in a manner so as not to interfere unreasonably with the management of the Regulated Assets and related Business, in order to ensure compliance with this Agreement, the Asset Purchase Agreement and all applicable government rules and regulations. In addition, OneStar (as well as the Examiner) and Manager each shall have reasonable access and authority to inspect any equipment and related hardware owned or operated by the other that is required to transmit and/or receive telecommunications by or on behalf of customers of One Star, including, but not limited to, network facilities, switching equipment, customer premises equipment and testing equipment. Such access shall be for the purpose of ensuring that the Regulated Assets and related Business are being operated in a manner that does not violate the terms of this Agreement, the terms of the Asset Purchase Agreement, applicable law or otherwise in a harmful or unlawful manner.

(g) The parties shall use the "OneStar" brand name and other OneStar trademarks in the operation of the Regulated Assets and related Business during the term of this Agreement. Specifically, customers shall be billed under the OneStar brand during the term of this Agreement.

6. Compliance with Applicable Laws.

(a) Manager recognizes that OneStar remains ultimately responsible for ensuring that the use of its Communications Licenses and the operations authorized thereunder are in compliance with the applicable rules, regulations and policies of applicable federal, state and local or other government authorities, and shall cooperate fully with OneStar, including the provision of information regarding the Regulated Assets and related Business, and shall pay OneStar's post-Closing administrative costs incurred in complying with such obligations. In addition, Manager covenants and agrees that Manager will not do or omit to do anything that would cause OneStar to be in violation of its Communications Licenses or any applicable laws, rules, regulations or policies.

(b) During the term of this Agreement, Manager shall be responsible for the filing of all post-Closing applications, reports, correspondence and other documentation with all federal and state regulatory commissions relating to the acquisition, use, maintenance or renewal of its Communications Licenses; *provided that* OneStar shall cooperate with such filings and provide upon Manager's reasonable request, any information that will enable it to prepare any applications, records and reports required by the FCC and federal, state, local or other governmental authorities; *provided further* that Manager shall consult with OneStar and mutually agree as to the most effective and efficient means of preparing such filings and in the selection of any outside professionals or consultants retained by Manager to assist in such filings, and Manager shall reimburse OneStar for all reasonable out-of-pocket costs and expenses in connection with such applications, correspondence and other related matters regarding OneStar's Communications Licenses pursuant to such mutual agreement.

7. Obligation to Renegotiate. In the event of any order or decree of an administrative agency or court of competent jurisdiction, including, without limitation, any material change or clarification in FCC rules, policies or precedent, that would cause this Agreement to be invalid or violate any applicable law, and such order or decree has become effective and has not yet been stayed, the parties will use reasonable efforts and negotiate in good faith to modify this Agreement (but only with the Committee's consent or Bankruptcy Court Order) to the minimum extent necessary so as to comply with such order or decree without material economic detriment to either party, and this Management Agreement, as so modified, shall then continue in full force and effect.

8. Amendment and Modification. This Agreement may be amended, modified or supplemented only by written agreement of OneStar and Manager.

9. Waiver of Compliance; Consents. Except as otherwise provided in this Agreement, any failure of either party to comply with any obligation, covenant or condition herein may be waived by the party entitled to the benefit thereof only by a written instrument signed by the party granting such waiver (but the grant by OneStar of any such waiver shall only be effective with the consent of the Committee or Bankruptcy Court Order), but such waiver or failure to insist upon strict compliance with such obligation, covenant or condition shall not operate as a waiver of or estoppel with respect to any subsequent or other failure.

10. Notices. All notices, requests, demands and other communications under this Agreement to the parties shall be in writing and shall be personally delivered or sent by commercial overnight courier, facsimile or certified or registered mail, postage prepaid, to the following addresses and/or facsimile numbers:

If to OneStar: OneStar Long Distance, Inc.
7100 Eagle Crest Boulevard
Evansville, Indiana 47715
Attn: Martin J. Huebschman
Chief Financial Officer and General Counsel
Fax: (812) 437-7963

with copies (which shall not constitute notice) to:

Frost Brown Todd LLC
2200 PNC Center
201 East Fifth Street
Cincinnati, Ohio 45215
Attn: Jeffrey L. Zackerman
Fax: (513) 651-6981

If to the Committee: The Official Committee of Unsecured Creditors
of OneStar Long Distance, Inc.
c/o Kilpatrick Stockton LLP
1100 Peachtree Street, Suite 2800
Atlanta, Georgia 30309-4530
Attn: Todd C. Meyers
Fax: (404) 815-6555

If to IceNet: 2425 North Central Expressway, Suite 200
Richardson, Texas 75080
Attn: William R. Stapleton
Fax: (972) 792-5479

with a copy (which shall not constitute notice) to:

Reed Smith LLP
435 Sixth Avenue
Pittsburgh, Pennsylvania 15219
Attn: Many Emamzadeh
Fax: (412) 288-3063
E-mail: memamzadeh@reedsmith.com

If to Manager:: Telrite Corporation
1115 Church Street
Covington, GA 30014
Attn: Darryl Davis
Fax: (678) 202-0762

with a copy (which shall not constitute notice) to:

Sommer Barnard Ackerson, PC
One Indiana Square, Suite 3500
Indianapolis, IN 46204
Attn: Paul T. Deignan
Fax: (317) 713-3699

Either party may change its address or facsimile number for purposes of this Section 10 by giving the other party notice of the new address or facsimile number in the manner set forth herein. Any notice given as set forth herein shall be deemed to have been received on the earlier of actual receipt or three (3) Business Days after being sent. All notices required hereunder to be given to OneStar shall also be given to the Committee.

11. Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party hereto, including by operation of law.

12. Third Party Beneficiaries. Nothing in this Agreement shall be construed as giving any person other than the parties hereto, the Examiner and the Committee any legal or equitable right, remedy or claim under or with respect to this Agreement.

13. Severability. If any provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms, conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto (but only with the consent of the Committee or Bankruptcy Court Order) shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Indiana (without giving effect to the principles of conflicts of law thereof) as to all matters, including, but not limited to, matters of validity, construction, effect, performance and remedies.

15. Submission to Jurisdiction. The parties hereto irrevocably submit to the exclusive jurisdiction of the Bankruptcy Court (or any court exercising appellate jurisdiction over the

Bankruptcy Court) over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby or thereby. Each party hereby irrevocably agrees that all claims in respect of such dispute or proceedings may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum in connection therewith.

16. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which, when executed and delivered, shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

17. Entire Agreement. This Agreement and the Asset Purchase Agreement (including the Exhibits and the Schedules thereto) constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, whether written or oral, between the parties with respect thereto.

18. Headings. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

19. Remedies. OneStar and Manager hereby acknowledge and agree that money damages may not be an adequate remedy for any breach or threatened breach of any of the provisions of this Agreement and that, in such event, OneStar or its successors or assigns, or Manager or its successors or assigns, as the case may be, may, in addition to any other rights and remedies existing in their favor, apply to the Bankruptcy Court for specific performance, injunctive and/or other relief in order to enforce or prevent any violations of this Agreement.

20. No Partnership or Joint Venture Created. Nothing in this Agreement shall be construed or interpreted to make Manger and OneStar partners or joint venturers, or to make one an agent or representative of the other, or to afford any rights to any third party other than as expressly provided herein. Neither Manager nor OneStar is authorized to bind the other to any contract, agreement or understanding.

21. Interpretation. The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against either party.

22. Joint and Several Obligations. The obligations of IceNet and the Manager hereunder are joint and several.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective duly authorized officers as of the date first above written.

ONESTAR:

ONESTAR LONG DISTANCE, INC.

By: _____

Name: Martin Huebschman

Title: Chief Financial Officer and General Counsel

ICENET:

ICENET, LLC

By: _____

Name: William R. Stapleton

Title: Chief Executive Officer

MANAGER:

TELRITE CORPORATION

By: _____

Name: Darryl Davis

Title: Chief Executive Officer

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
EVANSVILLE DIVISION

IN RE:)
)
ONESTAR LONG DISTANCE, INC.) CASE NO. 03-72697
)
DEBTOR) CHAPTER 11
)

**ORDER (A) AUTHORIZING THE SALE OF CERTAIN ASSETS OF THE DEBTOR
FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES; (B)
APPROVING THE ASSET PURCHASE AGREEMENT AND MANAGEMENT
AGREEMENT; (C) AUTHORIZING AND APPROVING THE ASSUMPTION AND
ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND
UNEXPIRED LEASES AND; (D) GRANTING RELATED RELIEF**

Upon (1) the *Joint Motion of the Examiner and Official Committee of Unsecured Creditors (the "Committee") for an Order (i) Approving Auction Procedures and the Subsequent Sale of Substantially All of the Debtor's Assets Free and Clear of Liens, Claims, Encumbrances and Other Interests; (ii) Authorizing the Assumption and Assignment of Leases and Executory Contracts; (iii) Establishing Cure Amounts with Respect Thereto; (iv) Authorizing the Examiner, on Behalf of the Estate, To Execute Necessary Documents to Effectuate the Foregoing and Take Actions Related Thereto; and (v) Approving the Form of Notice Thereof (the "Motion")*, (2) the record of the hearing on June 14, 2004 at which time it considered certain aspects of the Motion; (3) the *Order (i) Approving the Auction and Sale Procedures for the Sale of Substantially All of the Debtor's Assets Free and Clear of Liens, Claims and Encumbrances (ii) the Examiner if Necessary to Execute Necessary Documents on Behalf of the Estate; and (iii) the Form of Notice of the Sale*, dated June 16, 2004 (the "Sale Procedure Order"); (4) the record of the hearing on July 1, 2004 to consider approval of the sale of the above-captioned debtor's (the "Debtor") assets (the "Sale Hearing"); and (5) the record and docket of the case; and it appearing that the

DOCUMENT NO. 371
hm
11/30/05

sale of the Debtor's assets under the terms set forth herein is in the best interests of the Debtor, its estate, creditors and other parties in interest; and good cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:¹

1. The Court has jurisdiction over the Motion and the Sale Hearing pursuant to 28 U.S.C. §§ 157 and 1334. Venue is appropriate in this matter in accordance with 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding as defined under 28 U.S.C. § 157(b)(2).

2. The statutory predicates for the relief sought in the Motion are sections 105, 363 and 365 of 11 U.S.C. § 101, et seq. (the "Bankruptcy Code") and Fed. R. Bankr. P. 2002, 6004, 6006, and 9014.

3. As evidenced by the certificates of service previously filed with the Court, and based on the representations of counsel at the Sale Hearing, (i) proper, timely, adequate and sufficient notice of the Motion, the Sale Hearing, the sale of substantially all of the Debtor's assets (the "Sale"), and the assumption and assignment of certain executory contracts and unexpired leases as designated in the Asset Purchase Agreement (as hereinafter defined) (the "Assigned Contracts") has been provided in accordance with 11 U.S.C. §§ 102(1), 363 and 365 and Fed. R. Bankr. P. 2002, 6004 and 9014, and any order previously entered by this Court in these cases, (ii) such notice was good and sufficient, and appropriate under the particular circumstances, and (iii) no other or further notice of the Motion, the Sale Hearing, or the assumption and assignment of the Assigned Contracts is or shall be required except as expressly provided herein.

¹Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Fed. R. Bankr. P. 7052.

4. On June 7, 2004, the Committee filed its supplement (Asset Purchase Agreement and Management Agreement) to the Motion.

5. On June 16, 2004, the Sale Procedure Order was entered by the Court.

6. On June 25, 2004, the Committee filed its supplement (Executory Contracts) to the Motion ("Executory Contract Supplement"). Three parties, Woodward LLC ("Woodward"), Eagle Crest Building LLC ("Eagle") and IceNet LLC ("IceNet"), filed objections to the cure amounts set forth in the Executory Contract Supplement.

7. On June 30, 2004, the auction provided for in the Sale Procedure Order; (the "Auction") was conducted and the Purchasers (as hereinafter defined) made the highest and best bid for substantially all of the Debtor's assets.

8. All assets being transferred to IceNet and Telrite Corporation ("Telrite; collectively, the "Purchasers") pursuant to the Asset Purchase Agreement and related documents including, but not limited to, the Management Agreement, a true and correct copy of which is attached hereto as Exhibit A (collectively, the "Asset Purchase Agreement") constitute property of the Debtor's estate under the provisions of 11 U.S.C. § 541, and are hereinafter referred to as the "Purchased Assets".

9. The Debtor has or will as of the Closing (as defined in the Asset Purchase Agreement; hereinafter the "Closing") have (the Debtor being directed to do so) (i) full power and authority to execute the Asset Purchase Agreement and all other documents contemplated thereby, and the Sale has been duly and validly authorized by all necessary action, (ii) all of the corporate power, and upon entry of this Order (the "Sale Order"), the authority necessary to consummate the transactions contemplated by the Asset Purchase Agreement, and (iii) taken all

corporate action necessary to authorize and approve the Asset Purchase Agreement and the consummation by the Debtor of the transactions contemplated thereby.

10. No consents or approvals, other than those expressly provided for in the Asset Purchase Agreement, (including the entry by this Court of this Sale Order, are required for the Debtor to consummate such transactions.

11. Approval of the Asset Purchase Agreement and the consummation of the Sale on or prior to the Closing (as defined in the Asset Purchase Agreement) is in the best interests of the Debtor, its creditors, estate, and all other parties in interest.

12. The Debtor, the Examiner and the Committee have demonstrated that good, sufficient, and sound business purposes and circumstances justify and warrant the Sale of the Purchased Assets outside of a plan of reorganization which could be proposed by the Debtor.

13. As reflected by the Certificates of Service filed by the Committee, appropriate notice and opportunity to object or be heard with respect to the Motion, the Sale Hearing and the Executory Contract Supplement (other than United Leasing, Inc. ("United Leasing") with respect to the latter) and the relief requested therein has been afforded to (i) all entities known to have asserted any security interest, pledge, mortgage, lien (including without limitation environmental and tax liens), option, right of first refusal, right of first offer, right to acquire or sell, preemptive right, encumbrance, restriction of any kind on the use, voting, transfer or receipt of income or other adverse claim of any kind whatsoever in or upon the Purchased Assets; (ii) all parties to the Assigned Contracts; and (iii) all other parties entitled to receive notice pursuant to Bankruptcy Rule 2002 which are listed on the Debtor's current service list as established by the Court's February 3, 2004 Order Establishing Notice and Service Requirements.

14. The Auction was conducted and the Asset Purchase Agreement was negotiated, proposed, and entered into by the Debtor and the Purchasers with the full knowledge of the Committee and Examiner, without collusion, in good faith, and from arm's-length bargaining positions. Neither the Debtor nor the Purchasers have engaged in any conduct in connection with the Sale that would cause or permit the Asset Purchase Agreement to be avoided under or would otherwise constitute a violation of the provisions of 11 U.S.C. § 363(n). This finding only relates to the conduct of the Sale, and no other conduct.

15. The Purchasers would not have entered into the Asset Purchase Agreement and would not consummate the transactions contemplated thereby, thus potentially adversely affecting the Debtor, its estate and creditors, unless (i) the Sale is made free and clear of all liens, claims, encumbrances and other interests in, to or upon the Purchased Assets (the "Encumbrances"), with all such Encumbrances attaching solely to the proceeds of the Sale and (ii) the Asset Purchase Agreement is approved in its entirety.

16. Upon entry of this Sale Order, the Debtor shall sell the Purchased Assets free and clear of all Encumbrances, with all such Encumbrances attaching solely to the proceeds of the Sale, other than as provided for under the Asset Purchase Agreement, because, in each case, one or more of the standards set forth in 11 U.S.C. § 363(f)(1)-(5) has been satisfied.

17. The Sale and the assumption and assignment to the Purchasers of the Assigned Contracts will not, in any case, by reason thereof, subject the Purchasers to any liability whatsoever with respect to the operation of the Debtor prior to the Closing under the laws of the United States, any state, territory or possession thereof, or the District of Columbia, based, in whole or in part, directly or indirectly, on any theory of law or equity, including, without

limitation, any theory of equitable law, including, without limitation, any theory of antitrust or successor or transferee liability.

18. The Sale is essential to the Debtor's ability to ultimately file, confirm and consummate a plan of reorganization and, accordingly, a transfer, pursuant to 11 U.S.C. § 1146(c), shall not be taxed under any law imposing a stamp tax or similar tax.

19. The Debtor has demonstrated that it is an exercise of its sound business judgment to assume and assign the Assigned Contracts to the Purchasers in connection with the consummation of the Sale, and the assumption and assignment of the Assigned Contracts are in the best interests of the Debtor, its estate and its creditors. The Assigned Contracts being assigned to the Purchasers are integral parts of the Purchased Assets, and, accordingly, such assumption and assignment of the Assigned Contracts are reasonable, enhance the value of the Debtor's estates and do not constitute unfair discrimination.

20. There are no defaults under any of the Assigned Contracts other than the defaults, if any, under the agreement between IceNet and the Debtor (the "IceNet Agreement") as set forth in IceNet's objection to the Executory Contract Supplement, the Debtor's lease with United Leasing (the "United Lease") and those monetary defaults set forth in the Executory Contract Supplement. Neither Woodward's or Eagle's real property leases are being assumed pursuant to the Asset Purchase Agreement.

21. Subject to the provisions hereof, each Purchaser has agreed to cure all defaults existing prior to the date hereof under the Assigned Contracts, within the meaning of 11 U.S.C. § 365(b)(1)(A) assigned to such Purchaser, and have provided compensation or adequate assurance of compensation to any party for any actual pecuniary loss to such party resulting from a default prior to the date hereof under the Assigned Contracts, within the meaning of 11 U.S.C. §

365(b)(i)(B), and the Purchasers have provided adequate assurance of their future performance of and under the Assigned Contracts, within the meaning of 11 U.S.C. § 365(b)(1)(C).

22. No objections to the Sale have been filed other than as noted above with respect to Assigned Contracts.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

General Provisions

A. The Sale of the Purchased Assets to the Purchasers is hereby approved as further described herein.

B. All objections to the Sale that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are hereby overruled on the merits.

Approval of the Asset Purchase Agreement

C. The Asset Purchase Agreement, including all of the terms and conditions thereof, is hereby approved.

D. Pursuant to 11 U.S.C. § 363(b) and pursuant to and in accordance with the Asset Purchase Agreement, the Debtor is authorized and directed to consummate the Sale.

E. The Debtor is authorized and directed to execute and deliver, and empowered to perform under, consummate and implement, the Asset Purchase Agreement, together with all additional instruments and documents, with the Committee's consent or upon separate Court order, that may be reasonably necessary or desirable to implement the Asset Purchase Agreement, and to take all further actions as may be requested by the Purchasers for the purpose of assigning, transferring, granting, conveying and conferring to the Debtor or reducing to

possession, the Purchased Assets, or as may be necessary or appropriate to the performance of the obligation as contemplated by the Asset Purchase Agreement.

F. From and after the date hereof through the Closing, the Debtor shall operate (and by its consent to the entry hereof, represents that from and after the date of the Auction it has operated) the Business (as defined in the Asset Purchase Agreement) in the ordinary course consistent with practices maintained since the Petition Date through the date of the Auction, including without limitation in the collection of its accounts receivable in a manner so as not to negatively impact or delay the collection thereof. Furthermore, notwithstanding anything to the contrary contained in the Final Order Authorizing Debtor use of Cash Collateral Pursuant to 11 U.S.C. § 363 (as extended, the "Final Cash Collateral Order"), any payments from and after the date hereof to IceNet and CTS Management Corp. ("CTS") shall be made by the Debtor (and by its consent to the entry hereof, the Debtor represents that from and after the date of the Auction any payments to IceNet or CTS have been made) in respect only of periods prior to the Closing.

Transfer of the Purchased Assets

G. Pursuant to 11 U.S.C. §§ 105(a) and 363(f), the Purchased Assets shall be transferred to the designated Purchaser at the Closing (or at such other time as provided in Section 3.d. of the Asset Purchase Agreement) free and clear of all Encumbrances, with all such Encumbrances to attach to the net proceeds of the Sale in the order of their respective priorities, with the same validity, force and effect which they now have as against the Purchased Assets, with such proceeds to be held pursuant to prior Court Orders or subsequent Court Orders.

H. All proceeds payable to the Debtor's estate in respect of such Sale shall be paid into a separate, segregated escrow account of the Debtor, as required by the Final Cash Collateral

Order, designated by the Debtor's counsel and acceptable to the Examiner (the "Escrowed Funds") prior to the closing of the Sale.

I. The Escrowed Funds shall only be released from such escrow account as follows:

(a) to pay postpetition claims of (i) up to \$70,000, in the aggregate, of the Universal Service Administration Company ("USAC") payable in accordance with that certain Order resolving USAC's administrative claim, as amended, to the extent owed and not paid by the Debtor before the Closing; (ii) up to \$7,000, in the aggregate, of OSG Billing Services for the provision of postpetition billing services, to the extent owed and not paid by the Debtor before the Closing; and (iii) up to \$60,000, in the aggregate, of the Debtor's sales agents, to the extent owed and not paid by the Debtor before the Closing; (b) to satisfy the Carveouts (as defined in the Final Cash Collateral Order); and (c) in accordance with prior or subsequent Orders of this Court.

J. The Sale pursuant to the Asset Purchase Agreement constitutes a legal, valid and effective transfer of the Purchased Assets, and shall vest the Purchasers with all right, title and interest of the Debtors in and to the Purchased Assets free and clear of all Encumbrances.

Assumption and Assignment to Purchasers of Assigned Contracts

K. Pursuant to 11 U.S.C. §§ 105(a) and 365, and subject to and conditioned upon the Closing of the Sale, the Debtor's assumption and assignment to the designated Purchasers, and the designated Purchaser's assumption in accordance with the Asset Purchase Agreement of the Assigned Contracts **ARE HEREBY APPROVED**, and the requirements of 11 U.S.C. § 365(b)(1) with respect thereto are hereby deemed satisfied; provided, however, that notwithstanding anything in the Asset Purchase Agreement to the contrary, (i) the Assigned Contract with United Leasing shall not be deemed assumed and assigned except as provided by this Order; (ii) absent the written consent of any other non-Debtor party to an Assigned Contract

that is identified on Schedule 1(a)(ii) to the Asset Purchase Agreement, and is not identified in the Executory Contract Supplement (each an "Omitted Assigned Contract"), the Omitted Assigned Contract with such non-Debtor party shall not be deemed assumed and assigned until further order of the Court; (iii) IceNet shall be obligated to satisfy all post petition obligations to United Leasing; and (iv) the Purchasers shall be obligated to consummate the Sale without regard to whether the Court approves the assumption and assignment to IceNet of the Assigned Contract with United Leasing, and all Omitted Assigned Contracts. The Purchasers have provided adequate assurance of future performance pursuant to Section 365(f)(2)(B) as to the Assigned Contracts assumed by and assigned to Purchasers. All Assigned Contracts are assumable and assignable pursuant to 11 U.S.C. § 365.

L. The Debtor has determined that the cure amount owing to United Leasing is \$4,524.71. The Debtor is hereby directed to serve a copy of this Sale Order upon United Leasing within three (3) business days of entry hereof. Unless United Leasing files with this Court an objection within ten (10) business days of entry hereof (the "United Objection Deadline"), the United Lease shall be assumed and assigned to IceNet, the cure amount owing under the United Lease shall be determined to be \$4,524.71, and the requirements of 11 U.S.C. § 365(b)(1) shall be satisfied with respect to the United Lease without further notice or order of this Court. In the event United Leasing files a timely objection, this Court will set the matter for hearing on its next omnibus hearing date.

M. The cure amounts under any Assigned Contract except the United Lease and the IceNet Agreement shall be satisfied or paid by Telrite within three days after the Closing (except to the extent a later date is agreed to between Telrite and the non-debtor party thereto). The cure amount, if any, owing under the United Lease shall be satisfied or paid by IceNet within three

days after the United Objection deadline, or if United files an objection prior thereto, within three days after the entry of an Order determining the cure amount owed to United. The cure amount of \$1.8 million under the IceNet Agreement shall be satisfied or paid by Telrite pursuant to an agreement between IceNet and Telrite. Except for the cure amount of \$1.8 million under the IceNet Agreement (the cure amount agreed to by IceNet for the purposes of this Sale without prejudice to the rights of other parties in interest to assert in other contexts that there were no defaults by the Debtor under the IceNet Agreement), the amounts set forth in the Executory Contract Supplement are the only amounts which must be paid by the Purchaser to whom the contract or lease is assigned to cure all defaults existing prior to the date of the entry of this Sale Order under the Assigned Contracts identified on the Executory Contract Supplement. Under no circumstance shall the Debtor or its estate be obligated to make any cure payment under the IceNet Agreement, which obligation shall solely be the obligation of Telrite. The Assumption and Assignment of the IceNet Agreement shall not prejudice the rights of the Debtor or its estate retained pursuant to Section 1(b)-The Excluded Assets set forth in the Asset Purchase Agreement. It is acknowledged that any claim the Debtor or its estate may have against IceNet under the IceNet Agreement is not a claim against TelRite notwithstanding the Assumption and Assignment of the IceNet Agreement to Telrite.

N. The Debtor is hereby authorized and directed in accordance with 11 U.S.C. §§ 105(a) and 365 to (a) assume and assign to the designated Purchaser, effective upon the Closing of the Sale, the Assigned Contracts and (b) execute and deliver to Purchasers such documents or other instruments, upon consent of the Committee or Court Order, as may be necessary to assign and transfer the Assigned Contracts to the designated Purchasers.

O. The Assigned Contracts shall be transferred to, and remain in full force and effect for the benefit of, the Purchasers in accordance with its respective terms, notwithstanding any provision in the Assigned Contracts (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts or conditions such assignment or transfer and, pursuant to 11 U.S.C. § 365(k), the Debtor shall be relieved from any liability with respect to the Assigned Contracts after such assumption by the Debtor and assignment to the designated Purchaser.

P. All defaults or other obligations of the Debtor under the Assigned Contracts (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code) shall be cured by the Purchasers and the Purchasers shall have no liability or obligation, in respect to the Assigned Contracts, arising or accruing prior to the date of the Closing of the Sale, except as otherwise expressly provided for herein or in the Asset Purchase Agreement. Other than the cure amounts set forth in the Executory Contract Supplement (except for the cure amount, if any, under the IceNet Agreement), there are no other defaults under any of the Assigned Contracts.

Q. Upon assignment and payment of the applicable cure amount, if any, each non-Debtor party to the Assigned Contracts is hereby forever barred, estopped, and permanently enjoined from asserting against the Debtor or the Purchasers, or the property of either of them, any default under the Assigned Contract existing as of the date of the Sale Hearing.

Additional Provisions

R. The consideration provided by the Purchasers for the Purchased Assets under the Asset Purchase Agreement shall be deemed to constitute reasonably equivalent value and fair

consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia.

S. The consideration provided by the Purchasers for the Purchased Assets under the Asset Purchase Agreement is fair and reasonable and may not be avoided under section 363(n) of the Bankruptcy Code.

T. Upon Closing (as defined in the Asset Purchase Agreement) of the Sale, each of the Debtor's creditors are authorized and **ORDERED** at the Purchasers' reasonable request and at the Purchasers' expense to execute such documents and take all other actions as may be necessary to release their respective Encumbrances in or upon the Purchased Assets, if any, as such Encumbrances may have been recorded or may otherwise exist.

U. This Sale Order (a) shall be effective as a determination that upon Closing, all Encumbrances existing as to the Debtor or the Purchased Assets prior to the Closing have been unconditionally released, discharged and terminated, and that the conveyances described herein have been effected, and (b) shall be binding upon and shall govern the acts of all entities including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state and local officials, and all other persons and entities who may be required by operation of law, the duties of their office or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to the Purchased Assets.

V. Each and every federal, state and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Asset Purchase Agreement.

W. All entities who presently are, or upon Closing may be, in possession of some or all of the Purchased Assets are hereby directed to surrender possession of the Purchased Assets upon Closing.

X. The Sale shall not give rise to any responsibility of the Purchasers for any liability or other obligation of the Debtor arising under or related to the Purchased Assets, other than as set forth in the Asset Purchase Agreement.

Y. Under no circumstances shall the Sale cause the Purchasers to be deemed a successor of or to the Debtor for any Encumbrance against or in the Purchased Assets. The sale, transfer, assignment and delivery of the Purchased Assets shall not be subject to any Encumbrances, and such Encumbrances shall remain with, and continue to be obligations of the Debtor. All persons holding Encumbrances against or in the Purchased Assets shall be, and hereby are, forever barred, estopped and permanently enjoined from asserting, prosecuting or otherwise pursuing such Encumbrances against the Purchasers, their property, their successors and assigns, or the Purchased Assets, except to the extent such Encumbrances could have been asserted, prosecuted or otherwise pursued against either or both of the Purchasers, their property, their successors and assigns, or the Purchased Assets on a basis of direct liability of such Purchaser unrelated to the Sale. Following the Closing, no holder of an Encumbrance against or in the Purchased Assets shall interfere with the Purchasers' title or use and enjoyment of the Purchased Assets based on or related to such Encumbrance, or any actions that the Debtor may hereafter take in its bankruptcy proceeding.

Z. As provided for in the Motion, this Court retains jurisdiction to enforce and implement the terms and provisions of the Asset Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed in connection

therewith in all respects, including, but not limited to, retaining jurisdiction to (a) compel delivery of the Purchased Assets to the Purchasers, (b) compel delivery of the purchase price or performance of other obligations owed to the Debtor by the Purchasers under the Asset Purchase Agreement, (c) resolve any disputes arising under or related to the Asset Purchase Agreement, except as otherwise provided therein, (d) interpret, implement and enforce the provisions of this Sale Order, (e) resolve any dispute related to the Assigned Contracts, and (f) protect the Purchasers against Encumbrances in or upon the Purchased Assets, or any claim by any party against the Purchasers arising out of or related to the operation of the Purchased Assets prior to the closing date that has been barred hereunder.

AA. The transactions contemplated by the Asset Purchase Agreement in connection with the Sale are undertaken by the Purchasers in good faith, as that term is used in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Sale shall not affect the validity of the Sale to the Purchasers, unless such authorization is duly stayed pending such appeal. The Purchasers are purchasers in good faith of the Purchased Assets, and are entitled to all of the protections afforded by section 363(m) of the Bankruptcy Code. This finding only relates to the conduct of the Sale and no other conduct.

BB. The terms and provisions of the Asset Purchase Agreement and this Sale Order shall be binding in all respects upon, and shall inure to the benefit of, the Debtor, its estate, and its creditors, and the Purchasers, and their respective affiliates, successors and assigns, and any affected third parties including, but not limited to, all persons holding an Encumbrance in or upon the Purchased Assets, notwithstanding any subsequent appointment of any trustee(s) under

any chapter of the Bankruptcy Code, as to which trustee(s) such terms and provisions likewise shall be binding.

CC. The failure specifically to include any particular provision of the Asset Purchase Agreement in this Sale Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Asset Purchase Agreement be authorized and approved in its entirety.

DD. The Asset Purchase Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto, in a writing signed by both parties, and in accordance with the terms thereof, without further order of the Court, provided that (i) any such modification, amendment or supplement does not have a material adverse effect on the Debtor's estate; and (ii) the Committee consents. As provided by Rules 6004(g) and 6006(d) of the Federal Rules of Bankruptcy Procedure, this Sale Order shall not be stayed for 10 days after the entry of the Order and shall be effective immediately upon entry.

Dated: July 16, 2004


United States Bankruptcy Judge

7/16/04
Cl. S. Beth Buchanan
to do suit to interested
parties